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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000648

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DEPARTMENT FOR EUR DAS BRYZA

E.O. 12958: DECL: 05/25/2017

TAGS: [PREL](#) [PGOV](#) [ENRG](#) [AJ](#) [TU](#)

SUBJECT: AZERBAIJAN: SOCAR SAYS TURKISH TRANSIT INVITATION
TO BE ISSUED "WITHIN A FEW DAYS"

Classified By: A/DCM JOAN POLASCHIK, REASONS 1.4 (B,D)

11. (C) SUMMARY. In an May 25 conversation, SOCAR Vice-President Elshad Nasirov said that a letter from the GOAJ to Turkey inviting it to begin gas transit negotiations had been drafted and should be sent "within a few days." Nasirov said that in all its gas marketing endeavors the GOAJ should strive to keep as low a public profile as possible, so as not to needlessly antagonize Russia. As such, SOCAR would not be seeking a follow-on IEA conference in Baku, preferring instead to pursue bilateral working level discussions with Turkmenistan over its offshore Block One Livanov gas field. He said that Hungarian Foreign Minister Kinga Goncz's delegation had had good meetings at SOCAR, that SOCAR had shown the delegation that Azerbaijan has sufficient reserves for significant export to Europe and for Nabucco, and that the delegation seemed satisfied with what it had heard. END SUMMARY.

TURKISH TRANSIT TALKS

12. (C) In a May 25 meeting with SOCAR Vice-President Elshad Nasirov, Energy Officer referred to the May 17 meeting between SOCAR President Rovnaq Abdullayev and Ambassador Derse, in which Abdullayev said that the GOAJ was ready for gas transit talks with Turkey and that he would be seeking clearance from President Aliyev to send a letter to the Turkish PM inviting him to begin transit negotiations in June. Nasirov said that subsequent to this meeting a letter had been drafted and submitted to the Prime Minister's office. Nasirov said approval had been granted, and that the letter would be sent to the Turkish Prime Minister within "the next few days." He said that he got the feeling from his dealings with Turkey that Turkey would prefer to delay these discussions, that the unsettled domestic political situation in Turkey had also given the GOAJ pause, and that it would be quite bad if Turkey responded to this offer negatively.

13. (C) As for who would represent the respective countries, Nasirov said the matter was up to Turkey. If the Turkish government sends a government representative, then the GOAJ would respond by sending a government representative. However, Nasirov says that he would prefer that these discussions be held primarily at the Botas-SOCAR "working" level. In terms of how inclusive transit talks would be, Nasirov said that it was SOCAR's preference that the talks cover all future shipments of GOAJ gas, as opposed to just Shah Deniz Stage Two gas.

LINKAGE

14. (C) Nasirov had not heard of any GOT desire to link negotiations on the price of year two Shah Deniz Stage One gas with the Turkish transit talks. As to when Turkey would start nominating volumes, Nasirov said that the Azerbaijan Gas Supply Company (AGSC- headed by Statoil and responsible for marketing Shah Deniz Stage One gas) said that Turkey would be ready to nominate in August (NOTE: in a May 23 conversation, BP Azerbaijan President Bill Schrader had told EnergyOff that Turkish Energy Minister Gular had finally "blinked," admitting that Turkey would not be ready to nominate volumes until "June or July.")

QUIETER IS BETTER

15. (C) Introducing a theme he would repeat throughout the meeting, Nasirov said that "the lower the profile of these transit talks, the better." Any publicity would needlessly anger the Russians. In retrospect, he said it might have been a mistake for Azerbaijan to highlight the US-GOAJ Energy Security efforts aimed at gas diversification for Europe, as it seems to have galvanized the Russians. Concerning the idea of the GOAJ having a "soundbite" for European potential gas consumers as to how much gas Azerbaijan will have available ("20 bcm by 2015," for example), Nasirov said that any such announcement would be a mistake. "If SOCAR decides to give 3.5 billion cubic meters (bcm) to OMV it is nothing, but if the GOAJ announces that it can supply Europe with 30 bcm, Russia will be motivated to push for Blue Stream Two" or other competing projects. "The less we commit publicly, the

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better it is for Europe." Nasirov pointed out that Russia "keeps silent before acting," and that Putin made no prior announcements heralding the recent gas pipeline deal with Turkmenistan. Nasirov concluded that "it is best to seal the deal first," and even afterwards to minimize all publicity so as to not needlessly antagonize the Russians.

TURKMENISTAN

16. (C) Nasirov said that given this desire for a low public profile, SOCAR would not be in favor of a follow-on IEA conference in Baku. Rather, he preferred that there be a bilateral working group of Turkmen and Azerbaijani energy officials, a modification of the proposal he put forward in the February Paris IEA meeting (in Paris he had proposed a follow-on working group meeting among Kazakh, Turkmen and Azerbaijani officials, but he told EnergyOff that given recent events, Kazakhstan participation in such a working group is no longer vital). Nasirov had not yet gotten a read-out of FM Mammadyarov's May 24 visit to Ashgabat, but said that SOCAR would wait until receiving a read-out from the FM (and perhaps a readout from Ambassador Mann's upcoming visit) before possibly seeking a bilateral GOAJ-TKM working group meeting. The focus of GOAJ-TKM energy cooperation would be getting gas from Turkmenistan's Block One (Livanov field). Nasirov again stressed that GOAJ-TKM cooperation should be as low-key and as unpublicized as possible - "if we do not insult Russia, it will not retaliate."

GAS TO GREECE

17. (C) Nasirov said that he had met with DEPA representatives the previous day, and that talks with them would begin in June for sending 300 cubic meters of gas to Greece.

HUNGARIAN FM VISIT

¶8. (C) Nasirov said that SOCAR Hungarian Foreign Minister Kinga Goncz's delegation had had good meetings at SOCAR, and that "the visit met your (i.e. US government) expectations." He said that SOCAR had shown the delegation that Azerbaijan has sufficient reserves for significant export to Europe and for Nabucco, and that the delegation seemed satisfied. Nasirov commented that the President of MOL Hungarian and Gas Company was a real "touch character," and "very pro-Russian."

¶9. (C) COMMENT: Embassy will follow up next week to ascertain when the letter was sent, coordinating with Embassy Ankara in the hopes of ensuring a favorable response from the GOT. END COMMENT.

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